No. FD 11 RLG 69.

Mysore Government Secretariat,
Finance Department,
Vidhana Soudha,
Bangalore, dated 24th April 1969.

From

The Secretary to the Government of Mysore,
Finance Department, Bangalore.

To

The Secretaries to Government of Mysore
and
The Heads of Departments.

Sir,

Subject.—**Income-tax deduction from salaries during 1969–70.**

I am directed to forward herewith a copy of letter F. No. 12/41/69, dated 5th April 1969 received from the Deputy Secretary to the Government of India, Ministry of Finance (Department of Revenue and Insurance) for reference and needful action. The instructions issued by the Government of India should be followed in deducting Income Tax from the emoluments of Government Servants and others liable to tax.

Yours faithfully,

N. S. BHARATH,
Joint Secretary to Government,
Finance Department.

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Copy of the letter No. 12/41 69-ITCC, dated 5th April 1969 from the Deputy Secretary to the Government of India, Ministry of Finance (Department of Revenue and Insurance), New Delhi, addressed to All State Governments.

Sub.—Income-tax Deductions from salaries during 1969-70.

I am directed to invite a reference to this Ministry's letter F. No. 12/42/68-ITB, dated the 26th March, 1968 on the subject of deduction of income-tax from salaries paid during the year 1968-69. The Finance Bill, 1969 introduced in the Parliament on 20th February 1969 provides *inter alia*, the rates at which income-tax has to be deducted during the financial year 1969–70 from income chargeable under the head "Salaries". These rates will be applicable to deduction of tax from salaries paid or payable on or after the 1st April, 1969. An extract, from Paragraph A of Part III of the First Schedule to the Finance Bill, 1969 in so far as it relates to levy of income-tax on "Salaries", is enclosed herewith (Annexure). It is requested that pending the passing of the Finance Bill, 1969, deductions of tax from "Salaries" may be made during the financial year 1969–70 according to the rates in the said Schedule.

2. The substance of the main provisions in the law in so far as they relate to income from "Salaries" on which tax is to be deducted at source during the financial year 1969-70 is as stated in paras 2 and 3 of the letter dated 26th March 1968 referred to above. These are reproduced herein below for convenience:—

(i) As in the past, no tax will be deductible at source in any case unless the estimated salary income for the financial year exceeds Rs. 4,000.

(ii) While computing the taxable income, the Disbursing Officers should allow a deduction of 60 per cent of the first Rs. 5,000 and 50 per cent of the balance of the qualifying amount of payments towards Life Insurance Premia, Contributions to Provident Fund and Deposits in a 10-year Account or 15-year Account under the Post Office Savings Bank (Cumulative Time Deposit) Rules, 1959.

The qualifying amount of these items taken together will be limited to 30 per cent of the estimated "Salary" or Rs. 15,000, whichever is less.

(iii) The total income computed in accordance with the provisions of the (Act should be rounded off to the) nearest multiple of ten rupees by ignoring the fraction which is less than five rupees and increasing the fraction which amounts to five rupees or more, to ten rupees. The net amount of tax deductible should be similarly rounded off to the nearest rupee.

(iv) No deduction should be made from the salary income in respect of any donations for charitable purposes. The tax relief on such donations will have to be claimed by the tax-payer separately at the time of the finalisation of the assessment. However, in cases where contributions to the National Defence Fund, Jawaharlal Nehru Memorial Fund or the Prime Minister's Drought Relief Fund are made by deduction from the pay-bills, 55 per cent of such contributions may be deducted in computing the taxable income of the employee. Care should be taken to see that the aggregate of such contributions for the year is not less than Rs. 250. Disbursing Officers should show the total contributions in the remarks column of the return under section 206 of the Income-tax Act, 1961.

(v) In cases where deductions are claimed on account of tax on professions, trades, callings or employments levied under any State or Provincial Act the same may be allowed from the total income for purposes of deduction of tax at source on production of proof by the assessee before the Disbursing Officer. The adjustment in this behalf in the tax deductible at source may be made in the last month.

(vi) In the case of a resident unmarried individual, the provision for marginal relief operates where the total income after the deduction of 60 per cent of the qualifying amount of contributions to Provident Fund, Life Insurance Premia, etc., does not exceed the following amounts:—

(a) where the individual incurs expenditure on the maintenance of a dependent parent or grand parent.....Rs. 4,150.

(b) In any other case.....Rs. 4,210.

The marginal provision limits the income-tax payable in such a case to 40 per cent of the amount by which the total income exceeds Rs. 4,000. The special surcharge at 10 per cent of the income-tax will be levied, in addition.

(vii) The relief admissible to married persons and persons who have one or more dependent children should be allowed for the full year if the required condition is fulfilled at any time during the year, subject to the provisions as stated in para 2 (i) above.

(viii) A divorcee should be treated as a married person if he/she has a child dependent on him/her. Otherwise he/she should be treated as unmarried.

(ix) A widow/widower should be treated as a married person.

(x) The Income-tax act, 1961 provides for standard deductions on account of maintenance expenditure and also wear and tear of conveyance of various categories owned by salaried tax-payers and used for purpose of employment provided they are not in receipt of a conveyance allowance. The amounts of these standard deductions, which in the case of motor cars vary according to the Range of salary income of the tax payers and are proposed to be changed by the Finance Bill, 1969, are as given below :

Category of Conveyance	Amount of the standard deduction for every month by part of the month during which the conveyance has been used for the purpose of employment.
1. Motor Cars :	
(a) where the amount of the gross salary income (*i.e.*) the aggregate of the salary and taxable allowances) during the year does not exceed Rs. 25,000.	Rs. 200
(b) Where the gross salary income exceeds Rs. 25,000.	Rs. 250
2. Motor Cycles, Scooters or other Mopeds	Rs. 50
3. Bicycles	Rs. 5

The deduction of the appropriate amount for expenditure on maintenance of conveyance and its wear and tear should be allowed in calculating the tax to be deducted at source from the salary income:—The above standard deduction is admissible only in case the conveyance is registered in employee's name and not in the name of any other person, even though such employee may claim to have purchased it from his own funds. (Each employee claiming such deduction will furnish a certificate that the conveyance is registered in his own name to the disbursing authority).

(xi) In the case of an employee in receipt of a conveyance allowance, the disbursing officer may, exclude from the salary of the employee that part of the conveyance allowance which is equal to the amount that was treated as exempt under section 10 (14) by the Income tax Officer in the last completed assessment of the employee. For this purpose, the employee concerned should furnish to the disbursing authority a declaration as to the amount of the conveyance allowance which was treated as exempt from tax in his last completed income-tax assessment specifying also the year to which such assessment relates.

(xii) Attention is also invited to provisions of Section 276–B, wherein it is provided that if a person without reasonable cause or excuse fails to deduct or after deducting fails to pay the tax as required under the provisions of Chapter XVII B of the Income-Tax Act, 1961, he shall be punishable with regorous imprisonment for a term which may extend to six months, and shall also be liable to fine which shall be not less than a sum calculated at the rate of fifteen per cent per annum on the amount of such tax from the date of which such tax was deductible to the date on which such tax is actually paid.

(xiii) A resident individual (whether married or unmarried) whose total income does not exceed Rs. 10,000 and who incurs any expenditure towards the maintenance of one or more of his parents or grand parents mainly dependent on him, will be entitled to a fixed allowance of Rs. 400 as in the last year, on which

the tax relief calculated at the rate of 5 per cent applicable to the first slab of total income amounts to Rs. 20. This relief will be available only with reference to a dependent parent or grand parent whose income from all sources during the year does not exceed Rs. 1,000. The quantum of tax relief in the cases of such resident individuals on account of personal allowance will be as set forth in clause (ii) of the provise to Paragraph A of Part III of the First Schedule to the Bill. The quantum of personal allowance in the case of resident individuals who do not incur expenditure on the maintenance of their dependent parents or grand parents and also those with total income exceeding Rs. 10,000, will be as set forth in clause (iii) of the proviso to paragraph A of Part III of the First Schedule to the Bill. In the case of a resident individual incurring expenditure in the maintenance of one or more dependent parents or grand parents and having a total income exceeding Rs. 10,000 but not exceeding Rs. 20,000. the incometax payable by him in respect of such total income shall not exceed the aggregate of (a) the tax which would have been chargeable if his total had been Rs. 10,000 and (b) 40 per cent of the excess of his total income over Rs. 10,000.

(xiv) The quantum of personal allowance mentioned in clause (ii) or (iii) of the proviso to Paragraph A of Part III of the First Schedule, in the case of married individual *whose spouse has a total income exceeding Rs. 4,000* shall have effect as if the amounts specified therein had been reduced in each case by Rs. 75.

3. If any changes are made in the Finance Bill, 1969 before it is passed into law, the same will be communicated to you in due course.

4. These instructions may please be brought to the notice of all Disbursing Officers and State Undertakings under the control of the State Government.

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I/C *Section Officer*,
Finance Department.

Typical Examples of Income-Tax Calculation.

EXAMPLE I.

1.	Total salary income :	Rs. 9,500
2.	Contributions to G. P. Fund :	Rs. 720
3.	Payment towards Life Insurance Premia :	Rs. 500
4.	Gross salary income :	Rs. 9,500
5.	Deduct 60% of contributions to G. P. Fund and Life Insurance Premia (60% of Rs. 1,220) :	Rs. 732
6.	Balance (Taxable income) :	Rs. 8,768

The tax has to be worked out on Rs. 8,770 (rounding off Rs. 8 to 10).

Gross tax on Rs. 8,770=Rs. 250+10% of Rs. 3,770=Rs. 627.

Net Tax that will be Payable.

Personal and married status.	Gross tax.	Tax relief on account of personal allowances :	
		Resident individual supporting a dependent parent or grand parent.	Other resident individual.
	Rs.	Rs.	Rs.
Unmarried individual :	627	145	125
Married individual with no dependent child.	627	220	200
Married individual with one dependent child.	627	240	200
Married individual with more than one dependent child.	627	260	240

Note—1 : The amount of tax arrived at after deduction of the allowable relief on account of personal allowance *shall have to be increased* by 10 % on account of surcharge for the Union in order to fine the *net-tax* payable.

Note—2 : In the case of married individual whose spouse has a total income exceeding Rs. 4,000 the tax relief on account of personal allowances will be reduced by Rs. 75 as a mentioned in para 2(i) of the Circular.

EXAMPLE II.

1.	Total salary income	Rs. 24,004
2.	Contribution to G. P. Fund :	Rs. 2,500
3.	Payment towards Life Insurance Premia :	Rs. 3,000
4.	Gross Salary income :	Rs. 24,004
5.	Deduct 60 per cent of first Rs. 5,000 and 50 per cent of the balance of Rs. 500 of contributions to G. P. Fund and Life Insurance Premia.	Rs. 3,250
6.	Balance (Taxable income) :	Rs. 20,754
	The tax has to be worked out on Rs. 20,750 (by ignoring Rs. 4)	
	Gross tax on Rs. 20,750 = Rs. 2,750 *plus* 30 per cent of 750	Rs. 2,975

NET TAX THAT WILL BE PAYABLE

Personal and Married Status :	Gross tax	Tax relief on account of personal allowance
	Rs.	Rs.
Unmarried individual	2,975	125
Married individual with no dependent child	2,975	200
Married individual with one dependent child	2,975	220
Married individual with more than one dependent child.	2,975	240

Note-1 :—The amount of tax arrived at after deduction of the allowance relief on account of personal allowance shall have to be increased by 10 per cent on account of surcharge for the Union in order to find the *net tax payable.*

Note-2 :—In the case of a married individual, whose spouse has a total income exceeding Rs. 4,000 the tax relief on account of personal allowance will be reduced by Rs. 75 as mentioned in para 2 (i) of the circular.

ANNEXURE

Extract from the Finance Bill. 1969–First Schedule Part III.

Paragraph A.

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of Section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies :

RATES OF INCOME-TAX

1.	Where the total income does not exceed Rs, 5,000	5 per cent of the total income
2.	Where the total income exceeds Rs. 5,000 but does. not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent of the amount by which the total income exceeds Rs. 5,000
3.	Where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 17 per cent of the amount by which the total income exceeds Rs. 10,000
4.	Where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000.	Rs. 1,600 *plus* 23 per cent of the amount by which the total income exceeds Rs. 15,000
5.	Where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000.	Rs. 2,750 *plus* 30 per cent of the amount by which the total income exceeds Rs. 20,000
6.	Where the total income exceeds Rs. 25, 000 but does not exceed Rs. 30, 000.	Rs. 4,250 *plus* 40 per cent of the amount by which the total income exceeds Rs. 25,000
7.	Where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,250 *plus* 50 per cent of the amount by which the total income exceeds Rs. 30,000
8.	Where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16 250 *plus* 60 per cent of the amount by which the total income exceeds Rs. 50, 000
9.	Where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000	Rs. 28,250 *plus* 65 per cent of the amount by which the total income exceeds Rs. 70,000
10.	Where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,50,000	Rs 47,750 *plus* 70 per cent of the amount by which the total income exceeds Rs. 1,00,000
11.	Where the total income exceeds Rs. 2,50,000	Rs. 1,52,750 *plus* 75 per cent of the amount by which the total income exceeds Rs. 2,50,000 :

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(i) no incometax shall be payable on a total income not exceeding the following limit, namely :

(*a*) Rs. 7,000 in the case of every Hindu undivided family which at any time during the previous year relevant to the assessment year commencing on the 1st day of April, 1970 satisfies either of the following two conditions, namely :

1. that it has at least two members entitled to claim partition who are not less than eighteen years of age; or
2. that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family ;

(*b*) Rs. 4,000 in every other case;

(ii) where such person is an individual whose total income does not exceed Rs. 10,000 and who has, during the previous year relevant to the assessment year commencing on the 1st day of April, 1970. incurred any expenditure for the maintenance of any one or more of his parents or grand parents mainly dependent on him, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed;

(a) Rs. 145	...	in the case of an unmarried individual;
(b) Rs. 220	...	in the case of a married individual who has no child mainly dependent on him;
(c) Rs. 240	...	in the case of a married individual who has one child mainly dependent on him ;
(d) Rs. 260	...	in the case of a married individual who has more than one child mainly dependent on him ;

so, however, that in the case of a married individual whose spouse has a total income exceeding Rs. 4,000 in respect of the previous year relevant to the assessment year commencing on the 1st day of April, 1970, this clause shall have effect as if for the amounts of Rs. 220, Rs. 240 and Rs. 260, the amounts of Rs. 145, Rs. 165 and Rs. 185 had, respectively, been substituted ;

(iii) where such person is an individual not falling under clause (ii) or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder as does not exceed the amount of income-tax so computed :

(a) Rs. 125	...	in the case of an unmarried individual;
(b) Rs. 200	...	in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener ;
(c) Rs. 220	...	in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family ;
(d) Rs. 240	...	in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family ;

so, however, that in the case of a married individual whose spouse has a total income exceeding Rs. 4,000 in respect of the previous year relevant to the assessment year commencing on the 1st day of April 1970, this clause shall have effect as if for the amounts of Rs. 200, 220 and Rs. 240, the amounts of Rs. 125, Rs. 145 and Rs. 165 had, respectively, been substituted;

(iv) (a) where such person is an individual whose total income exceeds Rs 10,000 but does not exceed Rs. 20,000 and who has during the previous year relevant to the assessment year commencing on the 1st day of April, 1970 incurred any expenditure for the maintenance of any one or more of his parents or grand parents mainly dependent on him. the income-tax payable by him in respect of such total income shall not exceed the aggregate of—

1. the income-tax would have been payable by the individual if his total income had been Rs. 10,000, and

2. 40 per cent of the amount by which the total income of the individual exceeds Rs. 10,000;

(b) where such person is not an individual whose case falls under sub-clause (A) and the total income of such person does not exceed Rs. 20,000, the income-tax payable thereon shall not exceed 40 per cent. of the amount by which the total income exceeds the limit specified in sub-clause (a) or, as the case may be, sub-clause (b) of the clause (i) of this proviso.

Explanation.—For the purposes of clause (ii) and sub-clause (A) of clause (iv) of this proviso, a parent or grand parent of an individual shall not be treated as being mainly dependent on such individual if the income of the parent or, as the case may be, the grand parent from all sources in respect of the previous year relevant to the assessment of year commencing on the 1st day of April, 1970 exceeds one thousand rupees.

Surcharges on Income-Tax.

The amount of income-tax computed in accordance with the proceeding provisions of this paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

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I/c *Section Officer,*
Finance Department.